

JAN 28 2015

A BILL FOR AN ACT

RELATING TO THE HAWAII HEALTH CONNECTOR.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that the federal Patient
2 Protection and Affordable Care Act of 2010 (Affordable Care Act)
3 required states to establish health insurance exchanges to
4 connect buyers and sellers of health and dental insurance and
5 facilitate the purchase and sale of federally qualified health
6 insurance plans and qualified dental plans. The initial intent
7 of the state health insurance exchanges was to reduce the number
8 of uninsured individuals, provide a transparent marketplace,
9 conduct consumer education, and assist individuals in gaining
10 access to assistance programs, premium assistance tax credits,
11 and cost-share reductions.

12 The legislature further finds that, largely due to the
13 success of the Hawaii Prepaid Health Care Act, the State enjoys
14 an overall healthier population, lower uninsured rates, and
15 lower premium costs than mainland states. It is therefore
16 imperative that Hawaii's health insurance exchange, known as the
17 Hawaii health connector, work in tandem with the Hawaii Prepaid



1 Health Care Act to preserve the Prepaid Health Care Act's
2 existing benefits for Hawaii residents.

3 The legislature additionally finds that, as part of its
4 initial phase of operation, the Hawaii health connector has
5 benefited from new tax credits available under the Affordable
6 Care Act, including the advanced premium tax credit and small
7 business health insurance tax credit. The combined value of
8 these benefits through 2024 is estimated at \$505,000,000, which
9 is expected to provide direct financial stimulus to the State,
10 facilitate the expansion of health insurance, and reduce
11 uncompensated health care costs associated with the delivery of
12 medical services to the State's eligible population.

13 The legislature also finds that the Hawaii health connector
14 can provide further services to the people of Hawaii through the
15 expanded use of its business model and technologies. The Hawaii
16 health connector has the capability to provide non-biased
17 enrollment, implementation, and benefit administration services
18 for employers and their employees, which will generate
19 additional revenue. The connector also has the potential to
20 provide an integrated solution for medicaid enrollment and



1 state-provided social services, which will reduce state social
2 services costs.

3 The legislature further finds that the Hawaii health
4 connector stated in its January 2015 annual report that it is on
5 the path to financial self-sustainability and could reach a
6 surplus of \$1,800,000 by June 30, 2022. The connector has
7 enrolled over 15,500 people to date, up from fewer than five
8 hundred a year ago, and estimates that it will generate \$984,443
9 in revenue in the fiscal year ending June 30, 2015. By 2022,
10 the connector expects to bring in \$14,800,000 in revenue.
11 However, the connector will need approximately \$28,000,000 over
12 the next eight years until it can generate enough revenue to
13 become self-sufficient.

14 The legislature notes that in 1996, the State founded the
15 Hawaii Employers' Mutual Insurance Company (HEMIC) in an effort
16 to address many of the problems with the State's workers'
17 compensation system. The enabling legislation that created
18 HEMIC included a funding mechanism to support HEMIC's operations
19 while the company moved on a path to self-sustainability.
20 Today, HEMIC is highly successful, self-sustaining, and has been
21 given an "A" rating by the global credit rating agency A.M.



1 Best. Exploring a funding mechanism similar to the one the
2 State used when establishing HEMIC will enable the Hawaii health
3 connector to support its operations, reach self-sustainability,
4 and, eventually, return all funds advanced to the connector back
5 to the State.

6 The purpose of this Act is to:

- 7 (1) Retain the current financial and service benefits of
8 the Hawaii health connector;
9 (2) Enhance the availability of services through the
10 connector; and
11 (3) Support the self-sustainability of the connector by
12 2023 by enabling the connector to issue debentures
13 issued in the name of the connector.

14 SECTION 2. Section 435H, Hawaii Revised Statutes, is
15 amended by adding a new definition to be appropriately inserted
16 and to read as follows:

17 "Qualified health plan" means a qualified plan or a
18 qualified dental plan."

19 SECTION 3. Section 435H-2, Hawaii Revised Statutes, is
20 amended by amending subsections (b) and (c) to read as follows:

21 "(b) The purposes of the connector shall include:



- 1 (1) Facilitating the purchase and sale of qualified plans
2 and qualified dental plans;
- 3 (2) Connecting consumers to the information necessary to
4 make informed health care choices;
- 5 (3) Enabling consumers to purchase coverage and manage
6 health and dental plans electronically; ~~and~~
- 7 (4) Performing any and all other duties required of a
8 health insurance exchange pursuant to the Federal
9 Act ~~[]~~; and
- 10 (5) Providing enrollment, implementation, and benefit
11 administration services for employers and their
12 employees for non-qualified health plans.

13 (c) The connector shall serve as a clearinghouse for
14 enrollment and information on all qualified plans and qualified
15 dental plans listed or included in the connector."

16 SECTION 4. Section 435H-2.5, Hawaii Revised Statutes, is
17 amended to read as follows:

18 "[+]§435H-2.5[+] Hawaii health connector. The official
19 designation of the Hawaii health connector shall be the State of
20 Hawaii health insurance exchange. ~~[The qualifying standards and~~
21 ~~conditions relating to the receipt of funds contained in chapter~~



1 ~~42F shall apply to the funds received by the State of Hawaii~~
2 ~~health insurance exchange.] "~~

3 SECTION 5. Section 435H-3, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "**§435H-3 Funding.** (a) The connector may receive
6 contributions, grants, endowments, fees, or gifts in cash or
7 otherwise from public and private sources including
8 corporations, businesses, foundations, governments, individuals,
9 and other sources subject to rules adopted by the board. The
10 State may appropriate moneys to the connector. ~~[As required by~~
11 ~~section 1311(d)(5)(A) of the Federal Act, the]~~ The connector
12 shall be self-sustaining by January 1, ~~[2015,]~~ 2023, and may
13 charge assessments or user fees to participating ~~[health and~~
14 ~~dental]~~ carriers, or may otherwise generate non-insurer based
15 funding to support its operations. Moneys received by or under
16 the supervision of the connector shall not be placed into the
17 state treasury and the State shall not administer any moneys of
18 the connector nor be responsible for the financial operations or
19 solvency of the connector.

20 (b) In addition to any other means of generating revenue
21 pursuant to subsections (a) ~~[and]~~, (c), and (d), the connector



1 may sell or lease its information technology infrastructure and
2 services to other separate non-connector programs; provided that
3 the sale or lease is in compliance with federal regulations.

4 (c) In addition to any other means of generating revenue
5 pursuant to subsections (a) [~~and~~], (b), and (d), the connector
6 may also charge fees for displaying advertisements for ancillary
7 services on the connector's website.

8 (d) In addition to any other means of generating revenue
9 pursuant to subsections (a), (b), and (c), the connector may
10 conduct enrollment, implementation, and benefit administration
11 services for employers and their employees for non-qualified
12 health plans or other ancillary products and services.

13 [~~(d)~~] (e) All plans to generate revenue for the connector
14 shall be in compliance with federal law.

15 (f) The connector may issue debentures in amounts
16 collectively not to exceed \$28,000,000, which debentures shall
17 be guaranteed by the State, payable solely from operating
18 revenue received by the connector. The debentures shall be
19 issued in the name of the connector and not in the name of the
20 State. The final maturity date of the debentures shall not
21 exceed ten years from the date of issuance. The board shall set



1 aside and pledge revenues as necessary for the payment of the
 2 principal and interest on the debentures."

3 SECTION 6. Section 435H-12, Hawaii Revised Statutes, is
 4 amended by amending subsection (b) to read as follows:

5 "(b) If a health insurance plan utilizes and compensates
 6 an insurance agent or broker, the Hawaii health connector shall
 7 not be responsible for any compensation to that agent or broker
 8 that sells a qualified health plan or non-qualified health plan
 9 through the connector. The issuer of the qualified health plan
 10 shall bear all compensation to an agent or broker that sells a
 11 qualified health plan through the connector."

12 SECTION 7. Statutory material to be repealed is bracketed
 13 and stricken. New statutory material is underscored.

14 SECTION 8. This Act shall take effect upon its approval.
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INTRODUCED BY:

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S.B. NO. 1028

Report Title:

Hawaii Health Connector; Hawaii Health Insurance Exchange;
Sustainability; Funding

Description:

Retains current financial and service benefits of the Hawaii health connector. Enhances the availability of services through the connector. Supports the self-sustainability of the connector by 2023 by enabling the connector to issue debentures issued in the name of the connector.

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